

INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE
OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS: Swords Creek Land Partnership)
Joyce Price Monk)

DOCKET NO.
03-1216-1238-01

RELIEF SOUGHT: Issuance of an Amended Supplemental)
Order Amending Prior Orders Affecting)
Drilling Unit AY-118 Located in)
Russell County, VA)
(herein "Subject Drilling Unit" to Provide:)
(1) Calculation of Funds Unit Operator)
Deposited into the Escrow Account for)
Subject Drilling Unit by Tract Subaccount;)
(2) to Applicants a Royalty Accounting; and)
(3) Disbursement to Applicants in)
accordance with their ownership interests)
Those Funds Deposited by the Unit Operator)
into Subject Drilling Unit's Escrow)
Subaccount for VGOB Tract 3B.)

REPORT OF THE BOARD

FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on June 19, 2007 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Mark Swartz, Esq. appeared for the Unit Operator.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract subaccounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract subaccounts. The Board finds that: (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein.
4. **Prior Proceedings:**

- 4.1. On March 29, 2004, the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code §§ 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Russell County on April 2, 2004 in Deed Book 605 at page 646. The Pooling Order named CNX Gas Company, LLC (CNX) as Unit Operator. On March 8, 2005, the Board executed its Supplemental Order Regarding Elections that was filed with the Clerk's office on March 14, 2005 in Deed Book 627 at page 287. (hereafter the Pooling Order and the Supplemental Order are collectively referred to as the Pooling Orders).
- 4.2 To the extent claims to the Gas were in conflict, pursuant to Va. Code § 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Order (herein "Escrow Account"). According to the Pooling Orders the coalbed methane claims of oil and gas fee owner Joyce Price Monk and coal fee owner Swords Creek Land Partnership in a 0.86-acre tract known as VGOB Tract 3B in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Unit Operator's Miscellaneous Petition regarding VGOB Tract 3B, a copy of which is attached to and made a part hereof, and testimony state under oath that Joyce Price Monk and Swords Creek Land Partnership have entered into an agreement and that by the terms of the agreement escrow regarding the conflicting claims of said parties is no longer required. By sworn testimony before the Board, the Unit Operator testified that VGOB Tract 3B and the interests of Joyce Price Monk and Swords Creek Land Partnership are subject to the agreement.
- 4.4 The Unit Operator gave notice to Joyce Price Monk and Swords Creek Land Partnership that the Board would take the application referred to in Paragraph 4.3 above under consideration and consider whether to: (1) amend the Pooling Order to provide for the disbursement of funds on deposit in the Escrow Account attributable to Tract 3B and the interests of Joyce Price Monk and Swords Creek Land Partnership; (2) delete the requirement that the Unit Operator place future royalties attributable to Tract 3B and the interests of Joyce Price Monk and Swords Creek Land Partnership in the Escrow Account, and (3) continue the escrow account under this docket number because parties other than those seeking disbursement under this order are subject to escrow.
- 4.5 The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

- 5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

5.2 Applicant has certified and represented to the Board that:

- (1) Joyce Price Monk is the owner of 100% of oil and gas estate underlying VGOB Tract 3B of the Subject Drilling Unit;
- (2) Swords Creek Land Partnership is the owner of 100% of coal estate underlying VGOB Tract 3B of the Subject Drilling Unit;
- (3) Joyce Price Monk and Swords Creek Land Partnership have entered into an agreement resolving their conflicting claims pertaining to ownership of CBM minerals and specifying that future revenues attributable to VGOB Tract 3B be paid directly to the owners according to the agreement.
- (4) Net interests to be disbursed and parties to whom the disbursements are due are shown in Table 1, below.

TABLE 1		
Owners	Tract #	% Interest in 03-1216-1238 sub-account
Joyce Price Monk P. O. Box 247 Swords Creek, VA 24649	3B	14.6259%
Swords Creek Land Partnership P. O. Box 29 Tazewell, VA 24651	3B	14.6259%

6. **Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting, disburse escrowed funds attributable to VGOB Tract 3B to Applicants according to the percentages shown in Table 1, above, and mail attributable proceeds to the addresses shown in the table.

Exhibit E to the Pooling Orders, showing owners subject to escrow, is deleted in toto and replaced with the Exhibit E attached to this order. Further, the Order filed in this cause is hereby modified to delete any requirement that payments attributable to the conflicting coalbed methane gas ownership interests of Joyce Price Monk and Swords Creek Land Partnership in VGOB Tract 3B be deposited by the Unit Operator into the Escrow Account. Because there are other owners subject to escrow, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. **Conclusion:**

Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

8. **Appeals:**


Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. Effective date: This order shall be effective as of its date of execution.

DONE AND EXECUTED this 18th day of October, 2007, by a majority of the Virginia Gas and Oil Board.

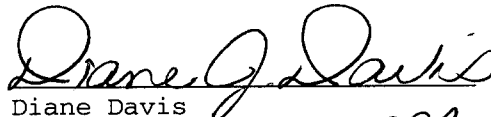

Chairman, Benny R. Wampler

DONE AND PERFORMED this 18th day of October, 2007, by Order of this Board.


B. R. Wilson
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 18th day of October, 2007, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, and B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that they executed the same and was authorized to do so.


Diane Davis
Notary Public 174394

My commission expires: 9/30/09

0703434

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF RUSSELL COUNTY, 10-29, 2007. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 9:48 o'clock A.M., after payment of \$ tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

TESTE: DOLLIE M. COMPTON, CLERK
BY:  D. CLERK

BEFORE THE VIRGINIA GAS AND OIL BOARD

BOOK 68023 0621

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL

DOCKET NO: VGOB 03-1216-1238-01

RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 3B
(2) AND AUTHORIZATION FOR DIRECT
PAYMENT OF ROYALTIES

HEARING DATE: April 17, 2007

DRILLING UNIT: AY-118

BUCHANAN COUNTY, VIRGINIA

MISCELLANEOUS PETITION

1. **Petitioner and its counsel:** Petitioner is CNX Gas Company LLC, 2481 John Nash Blvd., Bluefield, West Virginia 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, **SWARTZ LAW OFFICES, PLLC**, P.O. Box 517, Abingdon, VA 24212.

2. **Relief sought:** (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 3B as depicted upon the Exhibit A; and (2) authorization to begin paying royalties directly to the parties to the royalty split between Swords Creek Land Partnership and Joyce Price Monk.

3. **Legal Authority:** Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

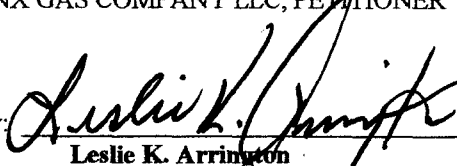
4. **Type of well(s):** Coalbed methane.

5. **Factual basis for relief requested:** Swords Creek Land Partnership and Joyce Price Monk, have entered into a royalty split agreement. Said royalty split agreement allows the Applicant and Designated Operator to pay royalties directly to the persons identified in Exhibit EE annexed hereto.

6. **Attestation:** The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY IT'S PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By:



Leslie K. Arrington
Manager - Environmental Permitting
CNX Gas Company LLC
2481 John Nash Blvd.
Bluefield, West Virginia 24701
304/323-6500



Exhibit A
Tract-by-Tract Escrow Calculation
Account Balances as of 5/31/07

BOOK 680-1060622

Unit AY-118
VGOB 03-1216-1238-01
Acres Escrowed: 2.94

Owners	Tract #	Acres	Total Tract Percent of Escrow	Interest	Owners' Percent of Escrow	Amount Due Owners \$4,263.66
Swords Creek Land Partnership				50%	14.6259%	\$623.60
Joyce Price Monk	3b	0.86	29.2517%	50%	14.6259%	\$623.60
					21.4286%	\$913.64
	3c	1.26	42.8571%	—	21.4286%	\$913.64
					0.5102%	\$21.75
	3e	0.03	1.0204%	—	0.5102%	\$21.75
					7.9932%	\$340.80
	3f	0.47	15.9864%	—	7.9932%	\$340.80
					5.4422%	\$232.04
	3g	0.32	10.8844%	—	5.4422%	\$232.04

Information presented here is for reference use only, CNX is not responsible for determinations made using the data represented here.

This information is for estimation purposes only.

Exhibit E
Unit AY-118
Docket #VGOB 03-1216-1238
List of Conflicting Owners/Claimants that require escrow
(58.74 Acre Unit)

BOOK 68 PAGE 0023

	Acres in Unit	Interest in Unit
<u>Tract #3C, 1.26 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	1.26 acres	2.1450%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Nellie Corns c/o Truel Corns Rt.2 Box 287 Cedar Bluff, VA 24609	1.26 acres	2.1450%
<u>Tract #3E, 0.03 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	0.03 acres	0.0511%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Randy L. Dye, et ux. RR1 Box 236 Swords Creek, VA 24649	0.03 acres	0.0511%
<u>Tract #3F, 0.47 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	0.47 acres	0.8001%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Shirley Ann Meadows Grizzle P.O. Box 382 Swords Creek, VA 24649	0.47 acres	0.8001%
<u>Tract #3G, 0.32 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	0.32 acres	0.5448%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Commonwealth of Virginia Dept. of Transportation P.O. Box 1768 Bristol, VA 24203	0.32 acres	0.5448%

Exhibit EE
Unit AY-118
Docket #VGOB 03-1216-1238
List of Conflicting Owners/Claimants with Royalty Split Agreements
(58.74 Acre Unit)

BOOK 68 PAGE 0321

	Acres in Unit	Interest in Unit	Percent of Escrow
<u>Tract #3A, 6.96 acres</u>			
<u>COAL FEE OWNERSHIP</u>			
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	6.96 acres	11.8488%	Paid Directly
<u>OIL & GAS FEE OWNERSHIP</u>			
(1) Dorcie Cacy Brown Osborne P.O. Box 296 Cedar Bluff, VA 24609	6.96 acres	11.8488%	Paid Directly
<u>Tract #3B, 0.86 acres</u>			
<u>COAL FEE OWNERSHIP</u>			
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	0.86 acres	1.4641%	14.6259%
<u>OIL & GAS FEE OWNERSHIP</u>			
(1) Joyce Price Monk P.O. Box 247 Swords Creek, VA 24649	0.86 acres	1.4641%	14.6259%
<u>Tract #3D, 5.83 acres</u>			
<u>COAL FEE OWNERSHIP</u>			
(1) Swords Creek Land Partnership, Tr.55 P.O. Box 29 Tazewell, VA 24651	5.83 acres	9.9251%	Paid Directly
<u>OIL & GAS FEE OWNERSHIP</u>			
(1) Sallie Irene Breedlove P.O. Box 136 Swords Creek, VA 24649	5.83 acres	9.9251%	Paid Directly